

# Financial Status Report

*Prepared by the Finance Department*

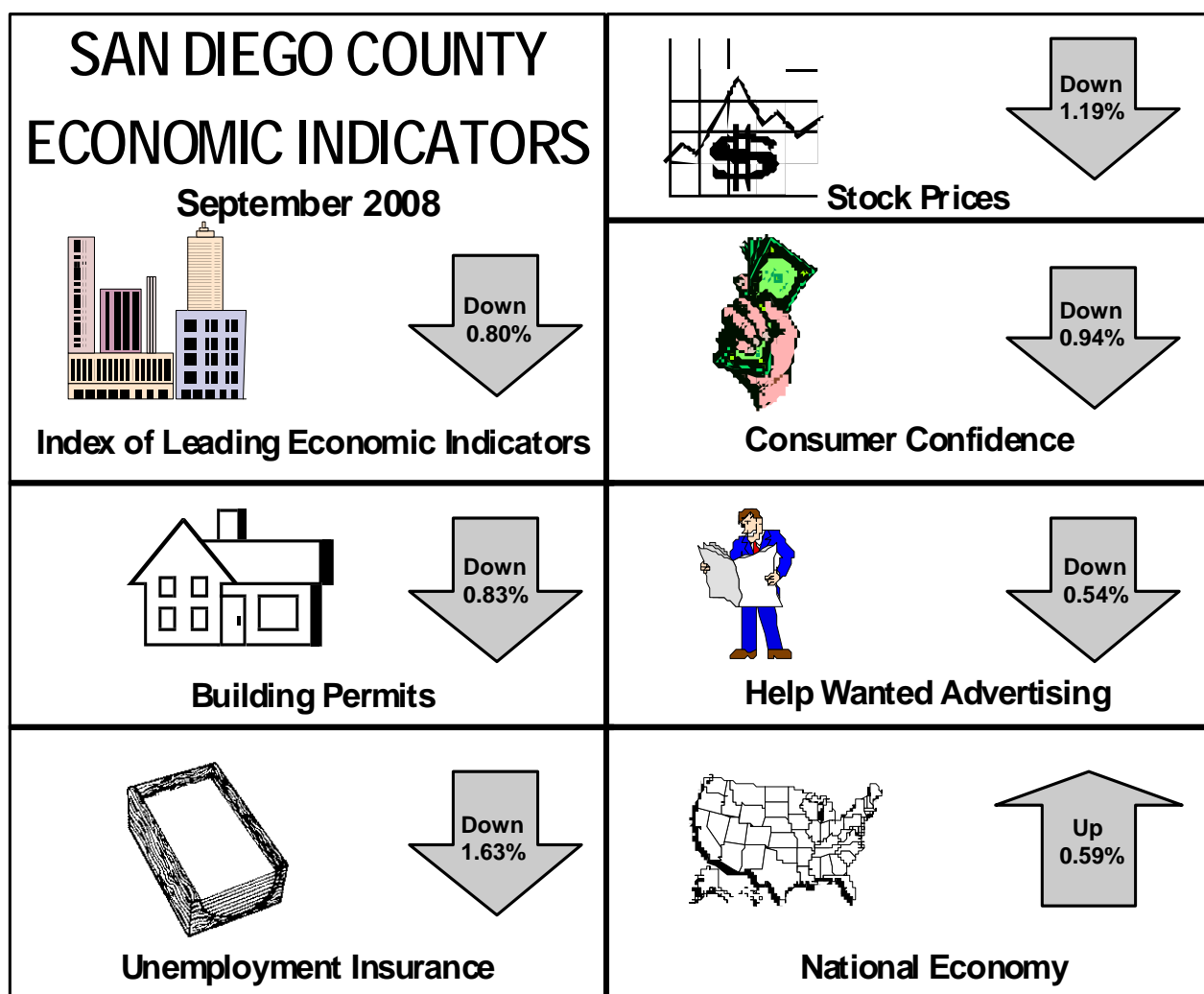


October 31, 2008

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through October 31, 2008. It compares revenues and expenditures for the first four months of Fiscal Year 2008-09 and Fiscal Year 2007-08. In addition, the financial status of the Water and Wastewater Enterprises and the Village Project Area of the Redevelopment Agency are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles (GAAP).

Carlsbad's revenue trends appear to mirror the San Diego region in general. Therefore, on a monthly basis, this report will provide the most recent economic data for the area: The San Diego County Economic Indicators. We believe this information provides the reader with some insight on the direction of the local economy.

## SAN DIEGO ECONOMIC INDICATORS



Source: University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators*, October 30, 2008.

**According to the USD Index of Leading Economic Indicators Report:**

The University of San Diego's Index of Leading Economic Indicators for San Diego County fell 0.8% in September. Leading the way to the downside was a surge in initial claims for unemployment insurance, which is a negative for the Index. Also down considerably were building permits, local stock prices, and consumer confidence, while there was a more modest loss in help wanted advertising. The only positive component was the outlook for the national economy, which was up moderately. September's drop marked the 29<sup>th</sup> time in 30 months that the USD Index has dropped.

The outlook for the local economy remains negative, with weakness expected through the first half of 2009, and likely beyond. A big question mark at this point is the impact on the local economy of the national financial crisis. Due to the slump in real estate, employment among the lenders in San Diego County through September was already down more than 2,500 compared to the same period in 2007. It remains to be seen whether the recent mergers of institutions such as Merrill Lynch and Washington Mutual will result in more job losses in the financial sector, or whether the tightening credit markets will adversely impact local economic activity.

A weak September broke a four month positive streak for residential units authorized by building permits. Total residential units authorized were down 24% through the first three quarters of 2008 compared to the same period in 2007. The large inventory of single-family homes on the market led to a drop of nearly 34% in single-family units authorized compared to a 14% drop in multi-family units. Both the labor market variables remain negative. The pace of job loss is accelerating, as initial claims for unemployment insurance reached a five year high. On the hiring side, help wanted advertising fell for the 25<sup>th</sup> month in a row. The net result was that the local unemployment rate remained above the 6% level for the third consecutive month at 6.4%. For the first time in eleven months, local consumer confidence was not the biggest negative component. Local consumer confidence is still negative, but may be approaching a bottom. It remains to be seen how this will be impacted by the negative news in the financial markets. Local stock prices fell in September in a prelude to the disastrous results to come in October. The news on the national economy remains negative despite the rise in the national Index of Leading Economic Indicators. September saw a loss of 159,000 jobs nationwide, the worst result since March 2003. Also, the previously reported growth rate of Gross Domestic Product (GDP) for the second quarter was revised downward from 3.3% to 2.8%. There is a strong possibility that growth in the third quarter will be negative, given the job losses and the turmoil in the financial markets, with a weak fourth quarter to follow. It is very likely that a recession will be declared for the national economy; in fact, we may be there already.<sup>1</sup>

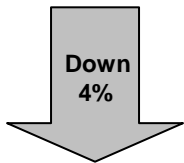
**TOP GENERAL FUND REVENUES**

**Property Taxes (\$4.2 million)** – The majority of property tax revenue is collected in December and April each fiscal year, therefore, the property taxes collected to date are not a good indicator of what the City will be receiving during the year. According to the County of San Diego Assessor's Office, assessed values in Carlsbad have increased by 7.6% for Fiscal Year 2008-09. This is the lowest growth percentage in assessed values that the City has seen in the past six fiscal years. This reflects the continuing countywide slow down in property valuation, but it should be noted that the City of Carlsbad still had the third largest increase year over year of any city in San Diego County.

Aircraft taxes are a large portion of the property tax revenue received to date. The primary reason that property taxes have increased by such a large percentage through October is due to an increase in the amount of aircraft being assessed. The County of San Diego Assessor's Office has started assessing aircraft tax on fractionally owned aircraft due to a new California state law. Fractionally owned aircraft were not taxed prior to this new law that took effect in August of 2007. McClellan Palomar Airport located in the City of Carlsbad, has a large number of fractionally owned aircraft. It is anticipated that aircraft tax revenue

<sup>1</sup> University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators Down in September*, October 30, 2008.

will continue to increase due to the change in what types of aircraft are now being assessed, and the County is going to assess this new taxable classification of aircraft back to 2002. However, it is anticipated that there will be legal challenges to this new law which may require the return of this revenue.



**Sales Taxes (\$6.6 million)** – For the first four months of the new fiscal year, sales tax revenues are \$300,000 (or 4%) lower than the same time period in the previous fiscal year. Sales tax revenues to date represent actual sales tax receipts for the second quarter of the calendar year, as well as the first two advances of the City's third quarter sales tax revenues. Advances are based on prior year activity, and are not a true indicator of the current economy. The primary factors in the decrease over the prior fiscal year is the result of a 3.5% drop in accrued sales tax revenues during the second calendar quarter and the State Board of Equalization lowering the monthly advance for the third calendar quarter of 2008 versus the same quarter last fiscal year.

For sales occurring in the second calendar quarter of 2008 (the most recent data available), key gains could be seen in service stations, restaurants, apparel stores and wholesale building materials. During the same period, key declines could be seen in new and used auto sales, furniture/appliance stores, retail building materials, and light industry. Excluding one-time payments received as the result of audit findings, payments for previous quarters, etc., actual sales tax transactions were down 3.6% for sales occurring in the 12 months ended June 30, 2008 over the same 12-month period last year.

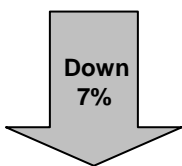
The largest economic segments in the City continue to be new auto sales, department stores, restaurants, apparel stores, and miscellaneous retail. Together, they generate 67% of the City's sales tax revenues.



**Transient Occupancy Tax (\$6.2 million)** – Transient Occupancy Taxes (TOT) for the first four months reflect an increase of \$319,000, 5% over the previous year. The majority of this increase is attributable to the increase in rooms available for rent, due to the opening of three hotels in the last half of Fiscal Year 2007-08. Year-to-date TOT figures represent taxes collected on hotel receipts through the month of

September 2008.

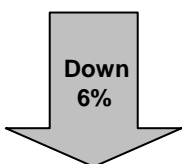
Three hotel properties have opened within the past nine months, with one hotel closing. Currently, there are 3,635 hotel rooms and 658 vacation rentals (timeshares) in the City. The average occupancy of hotel rooms over the most recent twelve months has been 61%.



**Income from Investments and Property (\$1.2 million)** – For the first four months of the fiscal year, income from investments and property is down \$100,000 compared to the previous fiscal year. This is due to a combination of a decrease in interest income (down 13%) and an increase in the rental of City-owned property (up 15%).

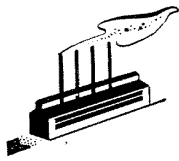
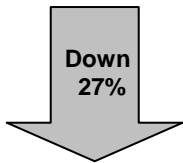
Interest income is down for the year due to the effects of a 3% decrease in the average cash balance for the year, combined with an 11% decrease in the average yield on the portfolio for the first four months of the new fiscal year.

Income from property rentals and sales is up compared to the previous fiscal year primarily due to additional Harding and Senior Center facility rentals.



**Business License Tax (\$1.2 million)** – Business license revenues have decreased by \$78,000 compared to Fiscal Year 2008. The reason for the increase is a timing difference in the receipt of the annual license for one of the City's larger businesses. The company paid in October 2007 for last year's license, and has not renewed their license this year.

There are currently 8,694 licensed businesses operating within the City, 67 more than this time last year. The majority of taxed businesses (6,075 businesses) are located in Carlsbad, with 2,620 of these businesses home-based.



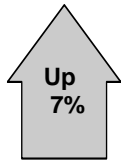
**Franchise Taxes (\$893,000)** – Franchise fees are generated from public utility sources such as San Diego Gas & Electric (SDG&E), trash collection franchises, and cable franchises conducting business within City limits. Year-to-date franchise fees are down \$335,000 over the same period last year due primarily to the timing of the cable franchise payment for the third calendar quarter of 2008.

In previous years, the cable franchise payment was due within 30 days of the end of the quarter. Now that the franchisees are under State jurisdiction, the fee is not due until 45 days after the end of the quarter (a November receipt for 2008).

Approximately 44% of the total franchise fee revenue anticipated for the year will be collected from SDG&E during the month of April 2009.

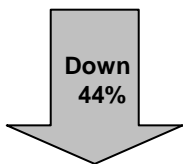


**Interdepartmental Charges (\$886,000)** – Interdepartmental charges are \$159,000, or 22% higher than last year. These charges are generated through engineering services charged to capital projects (up 138%) and miscellaneous interdepartmental expenses charged to funds outside the General Fund for services performed by departments within the General Fund (no change).



**Recreation Fees (\$885,000)** – Recreation fees are generated through instructional classes, youth and adult sports, the triathlon, and other special events, day trips, various aquatic programs, and lagoon permits. Year-to-date recreation fee revenue is \$58,000 higher than the previous fiscal year. The largest factors in this year's increase are increased participation in the various

aquatic programs, youth and adult sports, day camps and the preschool program. These increases were partially offset by lower revenues in special events and senior trips/classes.



**Development-Related Revenues (\$704,000)** – Development-related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflect a decrease for the year. Due to the downturn in the construction industry, it was anticipated that development-related revenues would decrease by 19% as compared to the previous fiscal year by the end of

Fiscal Year 2008-09. However, with the tightening of the credit markets, construction in the City has dropped off more than anticipated. Staff will continue to monitor the situation and make any necessary adjustments during the year.

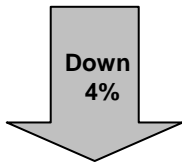
Development related fees are paid by developers to cover the cost of reviewing and monitoring development activities such as plan checks and inspections. One of the largest development-related revenue sources through October is engineering plan check fees, which is one of the first fees paid during the initial stages of development. The only significant activity during October was residential development at La Costa Greens and work being done at Carlsbad High School.

Another source of development-related revenue is building permits, which are down 33% compared to last fiscal year. The decrease in building permit revenue is derived from the combination of a decrease in the valuation of new construction and a decrease in the number of residential and commercial/industrial building permits issued. The valuation of new construction in the current fiscal year is just under \$48.5 million, while it was just over \$92.5 million in the previous fiscal year, a 48% decrease. The number of homes permitted in Carlsbad continued to be extremely low in October, with builders pulling permits for three units in the La Costa Ridge development. For the first four months of the new fiscal year, 37 residential permits were issued, as compared to 105 permits issued during the same period last year.

For the month of October, one permit was issued in the City for a total of 3,750 square feet of new commercial space; a storage barn at the Flower Fields. Year-to-date there has been a combined 206,228 square feet in commercial/industrial permits issued, as compared to 640,504 square feet at this time in Fiscal Year 2008.



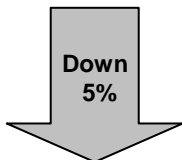
**Ambulance Fees (\$711,000)** – The City bills any individual who is transported in one of the City's ambulances. Through October 2008, receipts from ambulance fees are up 15% or \$93,000 higher than last fiscal year at this time. In June 2008, the City transitioned their ambulance billing services to a new local company to enhance billing customer service. Ambulance revenues have been impacted by an increase in the number of transported patients that were billed in the first four months of Fiscal Year 2008-09 (1,261) versus Fiscal Year 2007-08 (1,141).



**Fines and Forfeitures (\$439,000)** – Fines and forfeitures represent fees collected for code violations, parking citations, overdue fines, and returned checks. The City recognizes revenues when the citizen pays the fine or forfeiture, as opposed to when the fine is imposed. A decrease in the number of moving violation citations issued has led to reduced revenues received by the City, although the majority of moving violation revenue is paid to the courts for the administration of these citations.

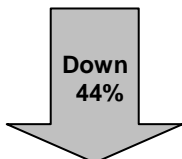
## ADDITIONAL GENERAL FUND REVENUES

Although the top General Fund revenues represent approximately 95% of all General Fund revenues, the City does have some other revenue sources, although much smaller in scale. Each month, we will highlight other revenue sources to give you some insight as to how these revenues are derived and how they are doing in the current fiscal year.



**Vehicle License Fees (\$155,000)** – Vehicle License Fees (VLF) have decreased by \$8,000 over 2007-08 figures. VLF are collected by the Department of Motor Vehicles (DMV) and disbursed by the State Controller to the City. The State taxes motor vehicles in lieu of local property taxes. Registered vehicles include automobiles, trucks, trailers, and motorcycles.

VLF revenues have been decreasing over the past year. When VLF is collected, the first allocation of funds (about 75%) goes to counties for health and welfare realignment. Then the DMV is reimbursed for their administrative expenses. Finally, there are a few relatively small fixed allocations made. What remains in the fund is then distributed to cities on a per capita basis. Recently, due to the decline in VLF collections, there has been little or nothing left to allocate to cities. This is projected to continue in the near future until the economy picks up.



**Transfer Taxes (\$135,000)** – When real property is sold, the County Assessor's Office charges a transfer tax. The transfer tax rate in San Diego County is \$1.10 per thousand multiplied by the selling price of the property. The City receives 50% of the transfer tax charged for sales within the City of Carlsbad. The residential housing market continues to slow down compared to previous years, including the reselling of real property, affecting transfer taxes received by the City.

**EXPENDITURES**

Total General Fund expenditures and encumbrances through the month of October 2008 are \$48.2 million, compared to \$48.1 million at the same time last year. This leaves \$77.9 million, or 61.8%, available through the fiscal year-end on June 30, 2009. If funds were spent in the same proportion as the previous year, the General Fund would have 65.1% available. At this time last year, department "savings" from previous fiscal years had been carried forward and added to the 2007-08 adopted budget. Currently, staff is calculating the department "savings" to be carried forward which will be added to the 2008-09 adopted budget in the near future. Excluding the department "savings" carried forward in the previous fiscal year, the percentage available at October 31, 2008 is 61.8%, slightly more than the 61.4% available at October 31, 2007.

The City Council has allocated \$2.3 million out of the General Fund budget to be available for unanticipated emergencies or unforeseen program needs. As of October 31, 2008, \$25,923 has been authorized out of the contingency account, as shown in the chart below.

<b>CONTINGENCY ACCOUNT USE OF FUNDS</b>			
<b>EXPLANATION</b>	<b>AMOUNT</b>	<b>DATE</b>	<b>RESOLUTION NUMBER</b>
<b>ADOPTED BUDGET</b>	\$2,300,000		
<b>USES:</b>			
Art Splash Assistance	(20,000)	06/24/2008	Minutes
"In Kind" Service Assistance for the 2007 La Costa Canyon Homecoming Parade	(1,564)	09/09/2008	2008-250
"In Kind" Service Assistance for the 2008 Carlsbad High School Homecoming Parade	(3,259)	09/09/2008	2008-251
"In Kind" Service Assistance for the 2008 Carlsbad Christmas Bureau	(1,101)	10/21/2008	2008-292
<b>TOTAL USES</b>	<u>(25,923)</u>		
<b>AVAILABLE BALANCE</b>	<u><b>\$2,274,077</b></u>		

Detailed schedules of General Fund revenues and expenditures are provided on the following pages.

GENERAL FUND REVENUE COMPARISON					
	EXPECTED BUDGET AS OF 10/31/08	ACTUAL FY 2007 AS OF 10/31/07	ACTUAL FY 2008 AS OF 10/31/08	CHANGE FROM YTD 2008 TO YTD 2009	PERCENT CHANGE
<b>TAXES</b>					
PROPERTY TAX	\$3,398,863	\$3,188,845	\$4,157,598	\$968,753	30%
SALES TAX	7,017,920	6,890,741	6,590,384	(300,357)	-4%
TRANSIENT TAX	6,111,143	5,901,314	6,220,307	318,993	5%
FRANCHISE TAX	1,323,727	1,228,071	892,650	(335,421)	-27%
BUSINESS LICENSE TAX	1,212,614	1,288,427	1,210,225	(78,202)	-6%
TRANSFER TAX	208,866	238,489	134,657	(103,832)	-44%
<b>TOTAL TAXES</b>	<b>19,273,133</b>	<b>18,735,887</b>	<b>19,205,821</b>	<b>469,934</b>	<b>3%</b>
<b>INTERGOVERNMENTAL</b>					
VEHICLE LICENSE FEES	198,108	162,881	155,025	(7,856)	-5%
HOMEOWNERS EXEMPTIONS	0	0	11	11	0%
OTHER	87,002	233,827	260,909	27,082	12%
<b>TOTAL INTERGOVERNMENTAL</b>	<b>285,111</b>	<b>396,708</b>	<b>415,945</b>	<b>19,237</b>	<b>5%</b>
<b>LICENSES AND PERMITS</b>					
BUILDING PERMITS	256,727	290,918	193,468	(97,450)	-33%
OTHER LICENSES & PERMITS	180,611	269,710	242,472	(27,238)	-10%
<b>TOTAL LICENSES &amp; PERMITS</b>	<b>437,337</b>	<b>560,628</b>	<b>435,940</b>	<b>(124,688)</b>	<b>-22%</b>
<b>CHARGES FOR SERVICES</b>					
PLANNING FEES	228,060	329,629	143,583	(186,046)	-56%
BUILDING DEPARTMENT FEES	230,218	215,973	159,412	(56,561)	-26%
ENGINEERING FEES	294,545	418,314	208,030	(210,284)	-50%
AMBULANCE FEES	579,270	618,615	711,234	92,619	15%
RECREATION FEES	851,082	827,567	885,118	57,551	7%
OTHER CHARGES OR FEES	130,431	300,852	348,307	47,455	16%
<b>TOTAL CHARGES FOR SERVICES</b>	<b>2,313,606</b>	<b>2,710,950</b>	<b>2,455,684</b>	<b>(255,266)</b>	<b>-9%</b>
<b>FINES AND FORFEITURES</b>	<b>412,653</b>	<b>455,056</b>	<b>438,815</b>	<b>(16,241)</b>	<b>-4%</b>
<b>INCOME FROM INVESTMENTS &amp; PROPERTY</b>	<b>1,276,169</b>	<b>1,349,392</b>	<b>1,248,954</b>	<b>(100,438)</b>	<b>-7%</b>
<b>INTERDEPARTMENTAL CHARGES</b>	<b>952,598</b>	<b>726,531</b>	<b>886,021</b>	<b>159,490</b>	<b>22%</b>
<b>OTHER REVENUE SOURCES</b>	<b>164,183</b>	<b>213,634</b>	<b>259,854</b>	<b>46,220</b>	<b>22%</b>
<b>TOTAL GENERAL FUND</b>	<b>\$25,114,789</b>	<b>\$25,148,786</b>	<b>\$25,347,034</b>	<b>\$198,248</b>	<b>1%</b>
(1)					
(1) Calculated General Fund revenues are 0.9% above estimates as of October 31, 2008.					

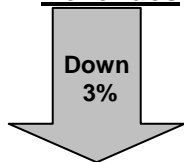
GENERAL FUND EXPENDITURE STATUS BY DEPARTMENT					
DEPT	DESCRIPTION	TOTAL	AS OF 10/31/08		
		BUDGET FY 2008-09	AMOUNT COMMITTED (b)	AVAILABLE BALANCE	% AVAILABLE*
POLICY/LEADERSHIP GROUP					
	CITY COUNCIL	\$402,334	\$115,359	\$286,975	71.3%
	CITY MANAGER	1,742,787	573,470	1,169,317	67.1%
	COMMUNICATIONS	1,208,612	410,037	798,575	66.1%
	CITY CLERK	203,030	92,933	110,097	54.2%
	CITY ATTORNEY	1,298,233	382,298	915,935	70.6%
	CITY TREASURER	196,027	54,979	141,048	72.0%
	TOTAL POLICY/LEADERSHIP	5,051,023	1,629,076	3,421,947	67.7%
ADMINISTRATIVE SERVICES					
	ADMINISTRATION	823,841	203,407	620,434	75.3%
	ENVIRONMENTAL RESOURCES MGMT.	282,407	134,114	148,293	52.5%
	FINANCE	3,482,577	1,087,237	2,395,340	68.8%
	HUMAN RESOURCES	2,847,425	951,711	1,895,714	66.6%
	RECORDS MANAGEMENT	936,429	260,976	675,453	72.1%
	TOTAL ADMINISTRATIVE SERVICES	8,372,679	2,637,445	5,735,234	68.5%
PUBLIC SAFETY					
	POLICE	27,254,422	9,008,856	18,245,566	66.9%
	FIRE	17,804,459	5,971,696	11,832,763	66.5%
	TOTAL PUBLIC SAFETY	45,058,881	14,980,552	30,078,329	66.8%
COMMUNITY DEVELOPMENT					
	COMMUNITY DEVELOPMENT ADMIN	2,556,005	2,052,681	503,324	19.7%
	HIRING CENTER (c)	88,000	84,113	3,887	4.4%
	GEOGRAPHIC INFORMATION	576,230	221,438	354,792	61.6%
	ECONOMIC DEV/REAL ESTATE MANAGEMENT	434,117	93,011	341,106	78.6%
	PLANNING	4,753,906	1,506,323	3,247,583	68.3%
	BUILDING	2,481,227	885,909	1,595,318	64.3%
	TOTAL COMMUNITY DEVELOPMENT	10,889,485	4,843,475	6,046,010	55.5%
COMMUNITY SERVICES					
	PARK PLANNING & RECREATION	6,101,007	1,822,679	4,278,328	70.1%
	SENIOR PROGRAMS	1,116,082	481,072	635,010	56.9%
	LIBRARY	10,512,047	3,275,168	7,236,879	68.8%
	CULTURAL ARTS	1,118,292	365,293	752,999	67.3%
	TOTAL COMMUNITY SERVICES	18,847,428	5,944,212	12,903,216	68.5%
PUBLIC WORKS					
	PUBLIC WORKS ADMINISTRATION	1,145,280	347,609	797,671	69.6%
	ENGINEERING	9,962,454	3,144,805	6,817,649	68.4%
	PARKS	5,708,526	2,186,819	3,521,707	61.7%
	STREETS & TRAFFIC SIGNALS	4,184,491	1,926,447	2,258,044	54.0%
	FACILITIES	4,338,887	1,926,216	2,412,671	55.6%
	TOTAL PUBLIC WORKS	25,339,638	9,531,896	15,807,742	62.4%
NON-DEPARTMENTAL & CONTINGENCY					
	OTHER NON-DEPARTMENTAL (a)	2,317,089	694,530	1,622,559	70.0%
	TRANSFERS OUT	7,890,000	7,890,000	0	0.0%
	CONTINGENCY	2,274,077	0	2,274,077	100.0%
	TOTAL NON-DEPT & CONTINGENCY	12,481,166	8,584,530	3,896,636	31.2%
TOTAL GENERAL FUND		\$126,040,300	\$48,151,186	\$77,889,114	61.8%
(a) Other non-departmental expenses include property tax administration fees, assessment district administration, citywide litigation expenses, and other items not attributed to a specific department.					
(b) Total committed includes expenditures and encumbrances.					
(c) The Hiring Center contracts are encumbered in full at the beginning of each year, thereby reducing the available funds.					
* Amount available would be 65.1% if funds were spent in the same proportion as the previous year.					



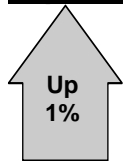
**WATER ENTERPRISE**

**WATER OPERATIONS FUND  
OCTOBER 31, 2008**

	<b>BUDGET FY 2008-09</b>	<b>YTD 10/31/2007</b>	<b>YTD 10/31/2008</b>	<b>CHANGE FROM YTD 2007-08 TO YTD 2008-09</b>	<b>PERCENT CHANGE</b>
<b>REVENUES</b>					
WATER DELIVERY	25,146,606	7,752,510	7,662,705	(89,805)	-1.2%
MISC. SERVICE CHARGES	246,715	77,363	76,271	(1,092)	-1.4%
PROPERTY TAXES	2,864,531	122,575	132,772	10,197	8.3%
FINES, FORFEITURES & PENALTIES	326,905	90,607	97,658	7,051	7.8%
OTHER REVENUES	335,853	223,348	83,430	(139,918)	-62.6%
<b>TOTAL OPERATING REVENUE</b>	<b>28,920,610</b>	<b>8,266,403</b>	<b>8,052,836</b>	<b>(213,567)</b>	<b>-2.6%</b>
<b>EXPENSES</b>					
STAFFING	2,944,109	882,863	888,417	5,554	0.6%
INTERDEPARTMENTAL SERVICES	2,191,614	776,275	705,393	(70,882)	-9.1%
PURCHASED WATER	14,950,000	3,999,105	4,032,717	33,612	0.8%
MWD/CWA FIXED CHARGES	3,136,598	635,810	728,643	92,833	14.6%
OUTSIDE SERVICES/MAINTENANCE	937,574	89,904	116,625	26,721	29.7%
DEPRECIATION/REPLACEMENT	3,352,981	1,418,000	1,507,995	89,995	6.3%
CAPITAL OUTLAY	53,875	3,856	0	(3,856)	-100.0%
MISCELLANEOUS EXPENSES	1,059,339	248,381	166,503	(81,878)	-33.0%
<b>TOTAL OPERATING EXPENSES</b>	<b>28,626,090</b>	<b>8,054,194</b>	<b>8,146,293</b>	<b>92,099</b>	<b>1.1%</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>294,520</b>	<b>212,209</b>	<b>(93,457)</b>	<b>(305,666)</b>	<b>-144.0%</b>

**Revenues**

- Decreased water delivery revenues are the result of a combination of an 18% decrease in the number of water units sold, an overall 9% increase in water rates (water sales and delivery charges) that went into effect in November 2007, and an additional 2,190 residential water customers over the last 12 months.
- The Carlsbad Municipal Water District Board is currently evaluating several rate increase options, which could go into effect during the middle of the fiscal year. This will impact both estimated and actual revenues at that time.
- The economic slowdown is affecting Carlsbad water customers as reflected in the increase in fines, forfeitures and penalties.
- The decrease in other revenues is primarily due to reduced interest revenues as a result of the Marbella settlement costs and legal fees paid by the Enterprise in August 2007.

**Expenses**

- A reduction in temporary help has led to the minimal increase in staffing expenses.
- A change in the method of charging engineering overhead to water projects accounts for the reduction in interdepartmental services and engineering labor revenue (other revenues).
- While the amount of purchased water has decreased by 6%, a 7% rate increase created the higher expenses year-to-date.
- The water authorities from which the Enterprise purchases its water from have raised their fixed charges by 16% from a year ago. These rates have been adjusting upward on a semi-annual basis over the past couple of years.
- CMWD water rights studies are reflected in the higher outside services/maintenance expenses.
- Legal expenses in the prior fiscal year related to the Marbella settlement and a reduction in the purchase of meters and fittings can be seen in the decrease in miscellaneous expenses.

**WASTEWATER ENTERPRISE**

**WASTEWATER OPERATIONS FUND**  
**OCTOBER 31, 2008**

	BUDGET FY 2008-09	YTD 10/31/2007	YTD 10/31/2008	CHANGE FROM YTD 2007-08 TO YTD 2008-09	PERCENT CHANGE
<b>REVENUES</b>					
CHARGES FOR CURRENT SERVICES	9,331,233	2,680,110	2,887,130	207,020	7.7%
INTEREST	115,767	74,506	47,145	(27,361)	-36.7%
OTHER REVENUES	216,719	78,157	45,402	(32,755)	-41.9%
<b>TOTAL OPERATING REVENUE</b>	<b>9,663,719</b>	<b>2,832,773</b>	<b>2,979,677</b>	<b>146,904</b>	<b>5.2%</b>
<b>EXPENSES</b>					
STAFFING	1,695,086	318,818	437,730	118,912	37.3%
INTERDEPARTMENTAL SERVICES	1,076,909	374,673	321,772	(52,901)	-14.1%
ENCINA PLANT SERVICES	3,220,551	0	0	0	0.0%
OUTSIDE SERVICES/MAINTENANCE	424,505	53,877	78,943	25,066	46.5%
DEPRECIATION/REPLACEMENT	3,569,550	1,375,000	1,447,388	72,388	5.3%
CAPITAL OUTLAY	450,546	1,286	450,267	448,981	34913.0%
MISCELLANEOUS EXPENSES	484,507	77,286	208,865	131,579	170.2%
<b>TOTAL OPERATING EXPENSES</b>	<b>10,921,654</b>	<b>2,200,940</b>	<b>2,944,965</b>	<b>744,025</b>	<b>33.8%</b>
<b>OPERATING INCOME/LOSS</b>	<b>(1,257,935)</b>	<b>631,833</b>	<b>34,712</b>	<b>(597,121)</b>	<b>-94.5%</b>

**Revenues**

- The increase in charges for current services is primarily the result of an additional 1,888 new residential sewer customers over the past 12 months, as well as a 10.6% rate increase that went into effect in November 2007.
- The City Council is currently evaluating several rate increase options, which could go into effect during the middle of the fiscal year. This will impact both estimated and actual revenues at that time.
- Decreased interest revenue is the result of a 39% lower average daily cash balance combined with an 11% decrease in the yield on the portfolio for the year.
- A change in the method of charging engineering overhead to wastewater projects accounts for the reduction in other revenues.

**Expenses**

- Increased staffing costs are the result of filling vacant positions created in the previous fiscal year due to retirements and new positions related to the Waste Discharge Program that have recently been filled.
- A change in the method of charging engineering overhead to wastewater projects accounts for the reduction in interdepartmental services.
- Costs related to SCADA maintenance and calibration account for the higher outside services/maintenance expenses.
- The purchase of a Vactor truck and a video inspection van accounts for the capital outlay expenses in the current fiscal year.
- A one-time fine for the Buena Vista Lagoon sewer spill accounts for the large increase in miscellaneous expenses.

**REDEVELOPMENT AGENCY**

<b>CARLSBAD REDEVELOPMENT AGENCY</b> <b>VILLAGE PROJECT AREA</b> <b>OPERATIONS, DEBT SERVICE AND CAPITAL FUNDS</b> <b>OCTOBER 31, 2008</b>					
	<b>BUDGET FY 2008-09</b>	<b>YTD 10/31/2007</b>	<b>YTD 10/31/2008</b>	<b>CHANGE FROM YTD 2007-08 TO YTD 2008-09</b>	<b>PERCENT CHANGE</b>
<b>REVENUES</b>					
PROPERTY TAXES	2,738,303	0	0	0	0.0%
INTEREST	145,000	39,722	39,848	126	0.3%
OTHER REVENUES	73,000	29,100	29,327	227	0.8%
<b>TOTAL OPERATING REVENUE</b>	<b>2,956,303</b>	<b>68,822</b>	<b>69,175</b>	<b>353</b>	<b>0.5%</b>
<b>EXPENDITURES</b>					
STAFFING	175,501	64,967	70,551	5,584	8.6%
INTERDEPARTMENTAL SERVICES	95,250	31,631	31,750	119	0.4%
RENTALS & LEASES	169,475	125,711	131,647	5,936	4.7%
DEBT EXPENSE	1,047,409	751,246	762,458	11,212	1.5%
CAPITAL OUTLAY	431,563	533,236	10,933	(522,303)	-97.9%
OUTSIDE SERVICES, MAINT & MISC	157,107	60,182	34,341	(25,841)	-42.9%
<b>TOTAL OPERATING EXPENDITURES</b>	<b>2,076,305</b>	<b>1,566,973</b>	<b>1,041,680</b>	<b>(525,293)</b>	<b>-33.5%</b>
<b>TOTAL OPERATING REVENUES OVER EXPENDITURES</b>	<b>879,998</b>	<b>(1,498,151)</b>	<b>(972,505)</b>	<b>525,646</b>	<b>-35.1%</b>

**Revenues**

No  
Change

- The first installment of property tax revenues will be received in November 2008. According to the San Diego County Assessor, assessed values in the Village Project Area have increased by 4.4% in Fiscal Year 2008-09.
- Although the average daily cash balance for the year has increased by 23%, an 11% decrease in the yield on the Treasurer's portfolio has offset this increase in interest revenues.

**Expenditures**

Down  
34%

- During the previous fiscal year, there was a vacant management position in the Agency at this time.
- Parking lot and building rentals are encumbered in full at the beginning of the fiscal year.
- Debt expenditures to date represent the first of two bond payments by the Agency.
- The majority of the capital outlay expenditures in the previous fiscal year were related to the Senior Center expansion.
- During the previous fiscal year, the Agency was finishing a downtown village retail analysis and revitalization project, as well as performing a design standards review, as reflected in the reduction in outside services, maintenance and miscellaneous expenditures.